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PSC ORDERS LG&E AND KU TO EXPLAIN ENERGY AID PROGRAMS

Commission questions differences in programs for each utility

FRANKFORT, Ky. (Sept. 30, 2004) The Kentucky Public Service Commission (PSC) has told Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU) to justify differences in their financial assistance programs for low-income customers.

"No evidence has been presented to demonstrate that low-income customers in the service territories of LG&E and KU have vastly dissimilar characteristics sufficient to justify vastly dissimilar (Home Energy Assistance) programs," the PSC said in an order issued today.

The PSC allowed the utilities to begin collecting a monthly charge of 10 cents per residential electric and gas meter to fund low-income assistance programs.

But it required the utilities, which are subsidiaries of LG&E Energy LLC, to refrain from distributing any of the funds until the PSC approves the programs. The companies had planned to begin disbursements early next year, so the review will not delay any assistance to low-income customers.

Home energy assistance programs were included in an agreement that settled most of the issues in the rate increase applications filed by LG&E and KU earlier this year. The programs were supported by several groups representing low-income ratepayers, including the Metro Human Needs Alliance, People Organized and Working for Energy Reform, the Council for Community Action for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties and the Kentucky Association for Community Action, as well as the Kentucky attorney general and the two utilities.

In its June 30, 2004, order approving the agreement, the PSC expressed disappointment that funding for the programs did not include a shareholder contribution as well as the charge on residential customers. In that order, the PSC noted that it had no authority to require a shareholder contribution.

"We believe that a contribution from the companies would do much to alleviate any objections from ratepayers," PSC Chairman Mark David Goss said today. "On the other hand, the contribution from each ratepayer is extremely modest and many people will benefit from these programs."

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The June 30 order allowed the meter charge to go into effect Oct. 1 and continue for three years. It said details of the programs would be subject to further review by the PSC.

The programs proposed by the two companies differ in several respects.

- KU would provide a fixed subsidy of \$294 per year, in seven monthly installments of \$42 each, to customers who use electric heat. LG&E subsidies would be based on a participant's income and energy usage.
- LG&E customers could use the subsidy to reduce past-due amounts. The subsidy for KU customers would be applied only to the current bill.

Both programs require participants to take advantage of any available weatherization assistance. Eligibility is restricted to households with gross income no greater than 110 percent of federal poverty guidelines. The maximum this year would be about \$20,700 for a family of four.

LG&E estimated its program would provide a total of \$840,000 in aid to 900 households each year. The KU program is projected to raise \$1.3 million annually, to be distributed to 1,300 households.

In today's order the PSC scheduled a meeting for all parties to discuss the programs.

LG&E has about 384,000 electric customers and nearly 312,000 natural gas customers in 16 counties in the Louisville area. KU serves about 477,000 customers in 77 Kentucky counties.

Today's order, as well as related case documents, are posted on the PSC Web site, which is psc.ky.gov. The case numbers are 2004-00304 (LG&E) and 2004-00303 (KU).

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky. The PSC has approximately 110 employees.